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# **THE IMPACT OF INTERNAL MARKET ORIENTATION ON STAFF SERVICE BEHAVIOURS**

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# THE IMPACT OF INTERNAL MARKET ORIENTATION ON STAFF SERVICE BEHAVIOURS

## Abstract

*The impact of service direction, service training and staff behaviours on perceptions of service delivery are examined. The impact of managerial behaviour in the form of internal market orientation (IMO) on the attitudes of frontline staff towards the firm and its consequent influence on their customer oriented behaviours is also examined. Frontline service staff working in the consumer transport industry were surveyed to provide subjective data about the constructs of interest in this study, and the data were analysed using structural equations modelling employing partial least squares estimation. The data indicate significant relationships between internal market orientation (IMO), the attitudes of the employees to the firm and their consequent behaviour towards customers. Customer orientation, service direction and service training are all identified as antecedents to high levels of service delivery. The study contributes to marketing theory by providing quantitative evidence to support assumptions that internal marketing has an impact on services success. For marketing practitioners, the research findings offer additional information about the management, training and motivation of service staff towards service excellence.*

Key words: Internal Market Orientation, Customer Orientation, Service Delivery

Track: Services Marketing

## Introduction

The importance of service industries to western economies steadily increased over the last century, and at the turn of the millennium accounted for 80% of all employment in the US (Fitzsimmons and Fitzsimmons 2003), more than 97% of all new jobs being created (Goodman and Steadman 2002) and approximately 64% of GDP (Chung and Schneider 2002). In the UK the contribution was higher still, at about 70% of GDP (<http://www.dti.gov.uk/europe/servicesector.pdf> 2001).

With the growth in importance of services, and the increasingly demanding nature of service customers (Zeithaml and Bitner 2003), delivering service excellence is becoming an important organisational capability (Wolfe-Morrison 1996). To a large extent service excellence is determined by customers' perceptions of how services are delivered by frontline service staff (Bitner, Booms and Mohr, 1994), and consequently on organisations' abilities to motivate and enable service staff to interact better with their customers.

Internal marketing, specifically in the form of internal market orientation (IMO), has been proposed as a means of managing and motivating service employees to deliver excellent service (Lings and Greenley, 2005). IMO is a set of employee focussed managerial behaviours aimed at satisfying and motivating service employees. It is conceptualised as a multidimensional construct involving formal and informal mechanisms to generate information about the wants and needs of employees, dissemination of this information throughout the firm and modifying work conditions to better satisfy the wants and needs of

employees (Lings and Greenley 2005).

Previously, IMO (making employees the focus of marketing activities) has been reported to have positive consequences for employee attitudes and behaviours. IMO is hypothesised to impact upon attitudes such as job satisfaction (Tansuhaj et al., 1991, Yoon, Beatty and Suh, 2001), and commitment to the organisation (Eisenburger et al. 1986). These positive attitudes are, in turn, hypothesised to impact upon important customer oriented behaviours displayed by staff (Ballantyne, Christopher and Payne 1995). Ultimately these behaviours are hypothesised to impact upon the quality of service delivery to customers (Bell, Menguc and Stefani 2004). Despite the attention that it has received much of the work examining the role and impact of internal marketing remains descriptive or prescriptive and the consequences of internal market orientation are often not quantified.

## **Objectives**

The primary objective of this study is to explore the consequences of internal market oriented behaviours displayed by managers, on the attitudes and behaviours of service staff, in particular their service focussed behaviour displayed towards customers. We also examine the resultant impact of this customer oriented behaviour on perceptions of service delivery. The study also seeks to examine the impact of other initiatives taken by the firm to encourage staff to deliver quality services. In particular we examine the role of training employees and communicating a clear service direction to employees.

In order to achieve these objectives this article is organised as follows. The next section presents a discussion of IMO, its measurement and consequences for staff attitudes and behaviours. This is followed by the development of hypotheses and the construction of a conceptual model. The subsequent section discusses, in detail, the constructs examined in this study and their operationalisation. This is followed by a section detailing the collection and analysis of data and presentation of results. Finally the implications of this study for both managers and academics are explored.

## **Internal Market Orientation**

Internal marketing is grounded in the belief that external marketing success is, in part, contingent on the firm having satisfied and motivated boundary spanning employees (see for example Sasser and Arbeit, 1976; Berry, 1984; Berry and Parasuraman, 1991; George and Grönroos, 1991; Greene *et al.* 1994). Few empirically tested conceptualisations and measures of internal marketing exist. Notable exceptions are those by Foreman and Money (1995) and Lings and Greenley (2005). In their conceptualisation, Foreman and Money (1995) report three components of internal marketing; vision, development and reward. Using this multidimensional conceptualisation, Pitt and Foreman (1999) identify four types of IMO, classified according to who the focus of the internal marketing effort is, and who the internal marketer is. However, a later study employing this scale (Caruana and Calleya, 1998) highlights problems of discriminant validity with the measure.

Lings and Greenley, (2005), operationalised internal marketing as an internal market orientation (IMO), which they define as a set of managerial behaviours associated with implementing internal marketing philosophy. Internal market orientation (IMO) is conceptually similar to external market orientation (Kohli and Jaworski, 1990), and involves elements of internal market research (e.g. Wasmer and Brunner, 1991; Piercy, 1995), communications (e.g. Tansuhaj, Randall and McCullough, 1988; Piercy, 1995; Reynoso and

Moore, 1996), and the development of job-products, which will satisfy the wants and needs of employees based on information gleaned from internal market research (e.g. Sasser and Arbeit, 1976; Berry and Parasuraman, 1991; Lukas and Maignan, 1996). Empirical investigation indicates that IMO consists of five managerial behaviours; three associated with the generation of information (through formal face to face meetings, informal meetings and formal written mechanisms), one dimension describing the dissemination of information, and one describing responsiveness to the wants and needs of employees (Lings and Greenley, 2005).

### **Relationship of IMO with Employees Attitudes and Behaviours**

IMO behaviours are reported to have several important consequences for the firm. Internal marketing has long been viewed as a mechanism for organisations to enhance the association that employees feel for the firm and its services (Bell et al., 2004). Such positive associations or 'buy in' are thought to be particularly important in influencing employee behaviour such as service orientation (George, 1990) and loyalty to the firm (Ozment and Keller, 1999). Loyalty has both attitudinal and behavioural elements and is manifest in both affective commitment (attitudinal loyalty) and staff retention (behavioural loyalty). Of particular interest here is affective commitment as it is this which will drive changes in employee behaviour towards customers. Employees that like their jobs and feel a sense of affection towards their employers are more likely to display positive behaviours towards customers. Affective commitment is defined as 'liking' for the employer and is expected to foster employee identification with the organization, reduce dysfunctional behaviours and increase behaviours compliant with organisational strategies (see for e.g. Ramaswami, 1996; Piercy and Morgan, 1990). In contrast, behavioural loyalty may arise from perceived lack of opportunities to leave or simple inertia, and may not be associated with positive service behaviours. Such behavioural loyalty, manifest only as staff retention, may indeed be associated with dysfunctional behaviours as employees may feel trapped in a job that they do not enjoy, working for managers that they do not like.

Consequently we hypothesise the following

**H<sub>1</sub> : The higher the level of IMO exhibited by managers, the more affective commitment that service staff will report towards their employer.**

The ultimate aim of any organisation should be to engender employee behaviours that represent excellence in service delivery. Such behaviours include providing prompt and reliable service and empathising with the customer (Zeithaml, Berry and Parasuraman, 1996). These service delivery behaviours will be contingent on several factors. Firstly, frontline staff need to be willing to deliver excellent service, second, they need be able to deliver excellent service and third, the organisation must communicate effectively what excellence in service constitutes. These three points are discussed in the following section.

### **Willingness to deliver excellent service**

First, the willingness of staff to deliver excellent service will depend to a large extent on their attitude to customer service. In the sphere of service marketing, there are many references in the literature focusing on the importance of developing a customer orientation, however the majority of work conducted in this area focuses on the customer orientation of the firm. Saxe and Weitz (1982) suggest that customer orientation involves having customer satisfaction as a

central goal of the organisation. In the context of service delivery, customers often do not distinguish between the person delivering the service and the organisation; consequently in the delivery of services, customer orientation must operate at both the individual and organisational levels. At the organisational level it represents an institutional orientation towards customer satisfaction as suggested by Saxe and Weitz. At the individual level customer oriented behaviours represents behaviours of frontline staff that have service quality and customer satisfaction as the central goal. This is in keeping with conceptualisations of service orientation suggested by Homburg et al. (2002), in which the service orientation concept acts at both the organisational and individual levels. However, unlike service orientation at the individual level, customer orientation is not a measure of frontline staff personality; rather, it refers to the attitude of frontline staff towards delivering high quality services to customers.

Although relatively little is known about the factors that affect customer orientation, Hoffman and Ingram (1991) present some support for the hypothesis that employees' attitudes towards the firm impact upon their customer orientation. This view is widely accepted within the marketing and organisational behaviour literatures (Saura, Contri, Taulet and Velazquez, 2005) and suggests that in order to have happy customers the firm must first have happy employees (Homburg and Stock, 2004). Even, if the causality of such statements is erroneous, it is a fair assumption that unhappy employees are unlikely to dedicate themselves to providing great service. Consequently it appears that employees' affective commitment to the firm will influence their attitude towards customer service. We therefore hypothesise, that employees' affective commitment to the firm will be positively related to their orientation towards customers.

**H<sub>2</sub>: The higher the affective commitment of employees towards the firm, the higher the level of customer orientation that they will display.**

We also hypothesise that those employees that show high levels of customer orientation will also deliver a higher quality of service. This makes sense, as it is these employees who believe in the value of the customer to the firm and therefore believe in trying to satisfy the needs of these customers. This is evidenced through their commitment to high quality service delivery. This gives rise to:

**H<sub>3</sub> : The higher the level of customer orientation displayed by employees, the better the level of service they deliver.**

### **Other factors influencing the delivery of excellent service**

As stated previously, frontline staff are instrumental in delivering quality services, and for this to happen, staff must be willing and able to deliver excellent service and the firm must direct the service efforts in-line with a quality service strategy. Highly motivated employees may inadvertently provide poor service if they have not been trained or are not familiar with the service delivery systems of the organisation, or have not been trained in managing the many and numerous interactions that employees experience during the service encounter (such as those with the firm and its servicescape, the individual and other customers). Consequently service training will be an important antecedent to service delivery. Related to, but distinct from training, is the service philosophy of the firm. Effective communication of the firm's service philosophy will direct all frontline staff to act in a manner that is consistent with the service aspirations of the firm. This will ensure that customers receive reliable service irrespective of the individual that serves them. Consequently, strong service direction will positively impact upon the service that is delivered by frontline staff and experienced by

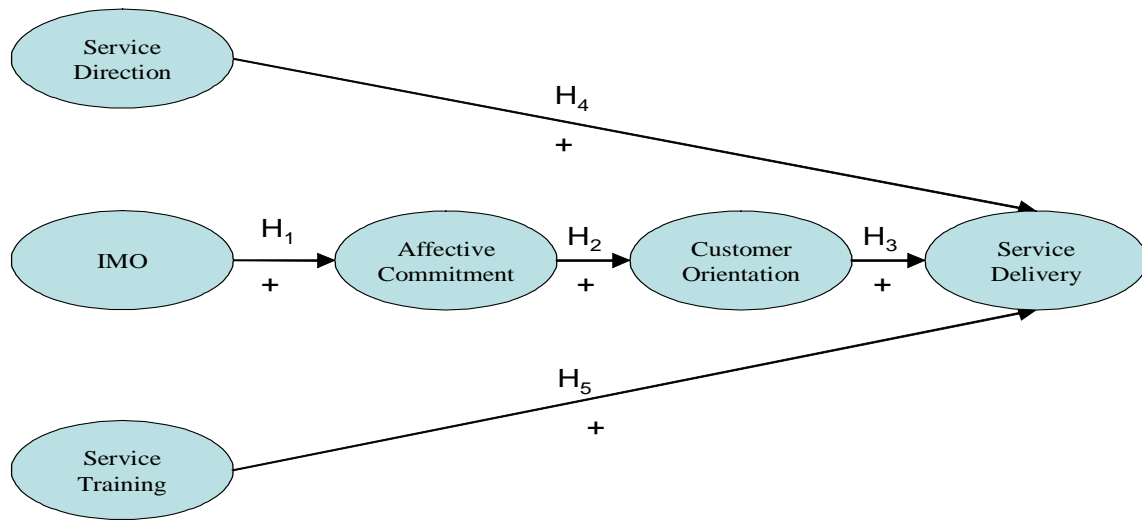
customers. We offer the following hypotheses:

**H<sub>4</sub>: The higher the level of service direction provided to employees, the better the level of service they deliver.**

And,

**H<sub>5</sub>: The higher the level of service training provided to employees, the better the level of service they deliver.**

These hypotheses are represents in the conceptual model presented in Figure 1



**Figure 1: Conceptual model**

## Method

The context chosen for this study was frontline staff working on a cross sea ferry. The survey was administered to frontline staff serving business and leisure travellers on a cross channel ferry. These staff have a high degree of contact with customers and the company literature specifically states that it competes on the quality of service that it provides. Questionnaires were administered and responses posted anonymously to the researchers. In total 60 questionnaires were administered and 53 usable responses were received. This corresponded to an effective response rate of 88%. Responses were captured using a seven point scale anchored at strongly agree and strongly disagree. Service employees were chosen as respondents because of their unique influence on the service quality perceptions of customers (Bell et al. 2004). Furthermore, even though the sample represents a single organisation, the unit of analysis is the individual member of staff and differences in these individuals behaviour are expected to derive from differences in their perceptions of the internal market oriented behaviour of their managers. Consequently, it is expected that there will be sufficient variability across the variables of interest to adequately test the hypotheses developed above.

## Measures

IMO was measured using the 16 item scale reported by Lings and Greenley (2005). Scores for

each of the five dimensions of IMO (Face to face information generation; Formal written information generation; Responsiveness; Informal information generation; and Dissemination of information) were calculated by averaging the scores for the items associated with each dimension and then IMO was modelled as a higher order construct. Example items include: 'In this company staff meets with management at least once a year to find out what expectations we have of our jobs for the future' for face to face information generation; 'In this company we are asked at least once a year to assess the quality of our employment' for written information generation; 'When we indicate that we are dissatisfied with the status quo, our company makes changes to what we do' for responsiveness; 'Our managers try to find out what we really feel about our jobs' for informal information generation and finally, 'We regularly receive reports from the company on issues that affect our working environment' for dissemination of information.

Affective commitment was measured using an adaptation of the scales reported by Garbarino and Johnson (1999) and Allen and Meyer (1990). Three example items from the five items used are: 'They feel a sense of belonging to this company', 'They are committed to their relationship with the company', and 'They are loyal to this company'. The scale was modified to tap into the feelings of employees towards the firm and employees were asked to respond to questions about the feelings of their co-workers to minimise social desirability bias (Podskoff, MacKenzie, Lee and Podskoff 2003). Five items were used to measure service direction based on a subset from Lytle, Hom and Mokwa (1998) and Saura et al. (2005). Items were chosen to identify the emphasis that the organisation communicates to employees about service orientation. Example items include: 'We are told to make a real effort to satisfy customers' needs' and 'This Company has a true commitment to customer service'. The resultant customer oriented behaviours of employees were also measured using an adaptation from Lytle, Hom and Mokwa (1998) and Saura et al. (2005) and included items designed specifically for this study which tapped into the important elements of service delivery as identified by Parasuraman, Berry and Zeithaml (1991). Example items of the seven used in the survey include: 'I provide prompt service', 'I am committed to service' and 'I view customer interactions as opportunities to please'.

Service training was measured using three items adapted from Lytle et al. (1998) tapping into employees' perceptions of the amount and applicability of service training that they receive. Two example items are: 'I am provided with personal skills training that enhances my ability to deliver high quality services' and 'This Company spends a great deal of time and effort in training activities to help me provide high levels of service'. Finally service delivery was measured using an adaptation of the items reported by Bell and Menguc (2002). Example items include; 'We give customers individual attention', 'We have the best interests of customers at heart', and 'We give prompt service to customers'.

Confirmatory factor analysis was performed on all scales using principal axis factoring and varimax rotation. Items with low loadings, significant loadings onto two or more factors or communalities less than 0.5 were considered for deletion. The psychometric properties of the new scales were tested and found to be acceptable i.e. (coefficient  $\alpha$ ) for each scale  $\geq 0.75$  (Churchill, 1999) see Table 1.



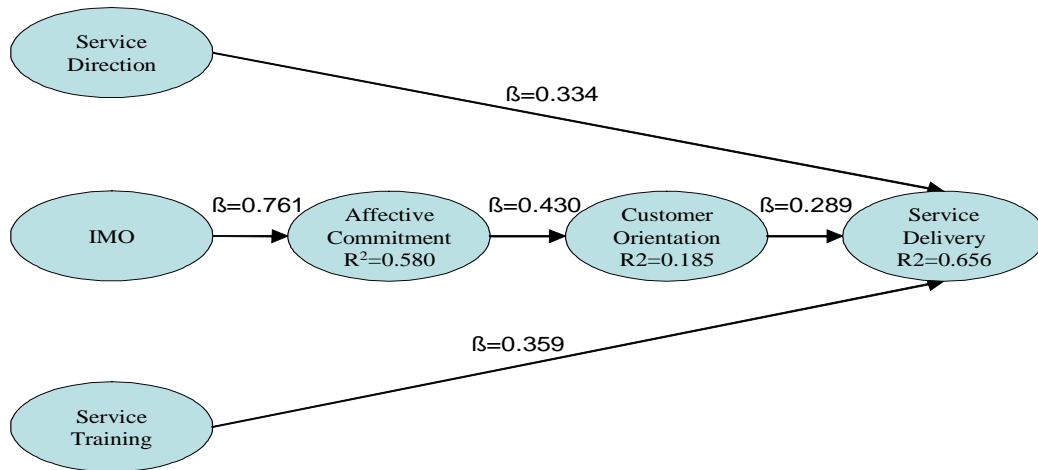
Scale	No Items	Alpha
IMO	5	0.916
Affective Commitment	4	0.937
Service Direction	5	0.858
Customer Orientation	7	0.916
Service Delivery	9	0.943
Service Training	3	0.900

Table 1. Items and coefficient alphas

As all of the measures were collected using a single instrument, a Harman single factor test, was conducted to identify common method bias (Podsakoff et al. 2003). Principal component extraction was conducted using varimax rotation, and the resultant component structure examined. Six components with Eigenvalues over 1 were extracted and the maximum variance extracted for any single component was 25%. Although this test does not eliminate the possibility of common method bias it does provide post hoc support for its absence.

## Results

The conceptual model was tested using the partial least squares (PLS) structural equations modelling technique (Wold 1985). PLS was adopted because of its suitability to analyse data from small samples (Sambamurthy and Chin, 1994). PLS does not make assumptions about data distributions to estimate model parameters, observation independence or variable metrics, making a more suitable technique for analysing these data than other techniques (e.g. multiple regression), which requires multivariate normality, interval scaled data and large sample size (Jung and Sosik, 2002). In Figure 2 we report the beta coefficients for the conceptual model and the  $R^2$  for each exogenous variable as indicated by the PLS analysis. As PLS makes no distributional assumptions, traditional parametric methods of significance testing (such as confidence intervals and  $\chi^2$ ) are not appropriate (White, Varadarajan and Dacin, 2003). To test the effects of the parameters in the structural model we used a bootstrapping procedure (Chin, 1998; Chin, 2001). The results indicate that our hypotheses are confirmed (see fig 2 below). Employing a significance level of 0.05, our results reveal a positive and significant effect of IMO on affective commitment ( $\beta = 0.76$ ) and a resultant positive and significant effect of affective commitment on customer orientation ( $\beta = 0.44$ ). Customer orientation is also confirmed to have a positive impact on service delivery although this is less substantive ( $\beta = 0.29$ ). Both service training and service direction have a significant impact on service delivery ( $\beta = 0.33$  and  $\beta = 0.36$  respectively). The results indicate that 66% of service delivery is explained by the constructs captured in this model.



**Figure 2. Estimate of Structural Model**

## Discussion

The results of the model estimation above illustrate the role of internal market orientation in motivating staff to provide great service to customers. Specifically, our results suggest that IMO creates positive feelings towards the firm and these in turn lead employees to behave in a customer oriented manner. Customers often do not distinguish between frontline employees and the service organisation. This suggests therefore that organisations should pay particular attention to the manner in which they deal with their own staff to ensure that they are capable and willing to provide service which meets the needs of this customer base. This paper has focused on some of the approaches that organisations can take to ensure that their staff deliver high quality services to the customer. Our research indicates that there are a number of factors which contribute to the delivery of high quality services. Firstly, staff must be trained effectively to deliver high quality services, a number of factors. Staff should also be aware of the organisational level service philosophy. When staff feel their firm values customer service this impacts the value and the effort they also put into customer service. This in turn is likely to have a positive impact on customers' perceptions of the firm and help them to feel valued by the firm.

Also highlighted in this model is the role that internal marketing has on creating committed employees. In fact, IMO explains nearly 60% of affective commitment. Some service sectors find it particularly hard to keep employees and have a high turnover rate, such as call centres and hospitality (Gilmore and Moreland, 2000; Carbery, Garavan, O'Brien and McDonnell, 2003), by introducing IMO this is likely to be viewed as a positive move and may increase commitment by employees. The flow on effect of this to customers is evidenced through the employee's attitude toward service. It makes sense that when an employee likes the organisation they work for and feel committed to that organisation, they are more likely to have positive feelings toward them and want to deliver good service to the customer as a result.

Although not specifically tested for our result also provide support for assertions that IMO has a significant role to play in creating an external market orientation for the firm. Customer orientation is one of the dimensions of MO (Narver and Slater 1990) and the impact of IMO on customer orientation is indicative of the relationship between internal and external market orientations in the services context. This suggests that managerial behaviours associated with

viewing employees as being important enough to warrant attention to their wants and needs does indeed create a more motivated and committed workforce, this in turn has positive consequences for how staff interact with customers and resultant customer satisfaction. Managers should ensure that they keep open lines of communications with their staff and that the conduct their operations with transparency. This will help to make staff feel valued in the organisation and also ensure that management have an understanding of their staff and can help to support them in the delivery of excellent customer service.

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